

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6365

BILL NUMBER: SB 97

NOTE PREPARED: Dec 4, 2005

BILL AMENDED:

SUBJECT: Direct Wine Shipment.

FIRST AUTHOR: Sen. Kenley

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a farm winery located in or outside Indiana to sell and ship wine directly to an Indiana resident for personal use if the farm winery holds a direct wine shipper's permit. The bill requires the holder of a direct wine shipper's permit to pay the sales tax and excise tax on wine sold and shipped directly to an Indiana resident. It makes it a Class A misdemeanor for a farm winery that does not have a direct wine shipper's permit to ship wine directly to a person in Indiana who does not hold a wholesaler's permit. The bill makes it a Class A misdemeanor for a person in the business of selling alcoholic beverages who is located in or outside Indiana to ship alcoholic beverages to a person who does not hold a wholesaler's permit. The bill allows a holder of an alcoholic beverage permit to sell or offer to sell an alcoholic beverage on credit to an individual who does not hold an alcoholic beverage permit.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* The provisions in the bill will increase administrative costs of the ATC through requiring it to promulgate rules and develop procedures for administering the direct wine shipper's permit. It is anticipated that this permit could be implemented within the existing level of resources available to the ATC.

Department of State Revenue: This bill could have a minimal impact on the Department insofar as it would need to develop procedures to collect excise and sales taxes from the out-of-state wineries who hold direct wine shipper's permits.

Explanation of State Revenues: *Permit Fee Revenue:* This bill creates the direct wine shipper's permit. The

permit allows a farm winery in or outside of Indiana to sell and ship wine directly to any consumer for personal use. Permit holders are limited to selling and shipping no more than 24 cases containing 9 liters (twelve 750 ml bottles) of wine per year to any single Indiana resident. The permit fee is \$100 the first year. The annual renewal fee is \$50. Revenue generated from the issuance of these permits would be deposited in the ATC's Enforcement and Administration Fund.

Currently there are 36 wineries that hold farm winery permits in Indiana. If all of these farm wineries were to obtain a direct wine shipper's permit the increase in revenue would be as much as \$3,600 in FY 2007 and as much as \$1,800 annually thereafter. The number of out-of-state wineries that would apply for a direct wine shipper's permit is currently indeterminable.

Alcoholic Beverage Excise Taxes: The bill requires a holder of a direct wine shipper's permit to remit Sales and Excise Taxes directly to the Department of State Revenue. The bill also requires permit holders to report sales information to the ATC. If these provisions increase tax collections, state revenue would increase. The \$0.47 per gallon wine excise tax is distributed to the following funds: state General Fund (\$0.20), the Post War Construction Fund (\$0.16), the ATC Enforcement and Administration Fund (\$0.04), the Addiction Services Fund (\$0.02), and the Wine Grape Market Development Fund (\$0.05). The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Penalty Provision: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

Explanation of Local Expenditures: *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

Explanation of Local Revenues: *Alcoholic Beverage Excise Taxes:* Fifty-percent of the General Fund distribution of the excise tax on wine is retained in the state General Fund. The remaining 50% is allocated to cities and towns based on population.

Penalty Provision: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: Alcohol and Tobacco Commission; Department of State Revenue.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: http://www.wineinstitute.org/shipwine/analysis/intro_analysis.htm; Vicki Stephens, ATC, 317-232-2436

Fiscal Analyst: Adam Brown, 317-232-9854.